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Authorities Cited

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1944

No. . . . . .

BULLDOG ELECTRIC PRODUCTS CO.,
a Corporation of West Virginia,
Petitioner,

v.

WESTINGHOUSE ELECTRIC AND MFG. COMPANY,
a Corporation of Pennsylvania,
Respondent.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

I. Opinions Below

The opinions below are not reported. The District Court opinion may be found at page 27 of the Record. No opinion for the Circuit Court of Appeals was filed.

II. Statement of the Case

The principal facts are stated in the foregoing petition, p. 3, ante.

III. Specifications of Error

1. The Circuit Court of Appeals erred in not reversing the order of the District Court, dated August 17, 1944.

2. The Circuit Court of Appeals erred in granting the Motion to Dismiss the Appeal, its order being dated October 20, 1944.

3. The Circuit Court of Appeals erred in holding that the order appealed from did not deny an injunction and therefore was not appealable under Section 129, J. C.

4. The Circuit Court of Appeals erred in refusing to apply the rulings of this Court, in the cases of *Enelow v. New York Life Insurance Company,* 293 U. S. 379, and *Shanferoke Coal and Supply Corporation v. Westchester Service Corporation,* 293 U. S. 449, of which cases the Circuit Court of Appeals was made aware by brief and oral argument.

IV. Summary of Argument

1. The unclean hands or public interest defense is an equitable defense.

2. Like any other equitable defenses, it should have been tried before the technical patent or law issues are examined.

3. Whether or not the label "equitable defense" is appropriate, the unclean hands or public interest defense should be tried first, because of the public's interest in it.

4. The order of the District Court prevents the equitable or public interest defenses from being tried at all, let alone first.

5. It, therefore, refuses to stay the proceedings on the technical patent or law questions, until the public interest defense is tried.

6. A refusal to stay the proceedings at law until such a defense is tried amounts to a refusal of injunction.

7. Refusals of injunctions are appealable under Sec. 129, J. C.

8. Regardless of appealability, this Court has jurisdiction to order the public interest defense restored, and tried first (R. S. 917, 28 U. S. C. 730) because the petition raises questions of the mode of framing and filing proceedings and pleadings, and regulation of the practice in suits in equity in the District Courts.

9. The effect of the denial is also to deny the constitutional right to present issues held paramount by this court, all of which is set forth in the Reply of BullDog.

V. Argument

In the stricken paragraphs of the Reply, it is alleged that Westinghouse seeks to destroy BullDog's patent on circuit breakers, No. 2,285,770, and seeks to enjoin BullDog's use of that patent, in order to maintain intact an illegal monopoly which Westinghouse has by this time attained in the circuit breaker business. In the Reply it is alleged that it is to the interest of the public to enjoin Westinghouse from proceeding with its attack against the BullDog patent and with its attempt to enjoin BullDog's use of that patent; and it is also alleged that it is to the public's interest to examine the Westinghouse dominant position in the circuit breaker business and to ascertain whether it is beneficial or detrimental to the public to have the BullDog patent destroyed.*

*THE DUALITY OF WESTINGHOUSE'S ROLE. Westinghouse is not merely seeking to defend itself against a charge of infringement, either by establishing non-infringement, or by successfully establishing the defense that the BullDog patent presents nothing new or useful or inventive. Westinghouse goes further: it seeks to *destroy* the BullDog patent, by a declaratory judgment of invalidity, and seeks to *prevent* BullDog from using or asserting its patent, by a request for an injunction against BullDog. In such a proceedings, it becomes important to determine the effect on the public interest of a grant to Westinghouse of that sort of relief, a decree of invalidity and an injunction against BullDog of its patent, as contrasted from a decree of non-infringement or a decree that certain defenses have been sustained by Westinghouse.

It is important to recognize the duality of Westinghouse's role and to note that it is because Westinghouse seeks to destroy BullDog's patent and to enjoin its use, that BullDog presents the defenses of public interest, and urges such matters to be material.

Dual Aspects of Public Interest

By this time it has become settled law that patents will not be enforced when to do so maintains an illegal monopoly and dominance, because it is feared, and properly so, that the public interest is prejudiced by the use or enforcement of a patent to sustain that illegal monopoly.

We urge that in some cases, as here, the public interest will likewise be prejudiced when, at the request of the one who seeks to maintain an existing monopoly, the patent of a smaller manufacturer competing with that monoply, is destroyed. We urge that in some cases, as here, as where the patent is a bulwark of the smaller company against that monopoly, it is contrary to the public interest to destroy that patent at the request of one who seeks to maintain an existing monopoly, because doing so would remove the only bulwark of the smaller company against the destructive advance of the monopoly towards complete dominance.

We assume that the conduct and effect of the monopoly is examined, in patent cases, not so much in order to help decide as between the two litigants, but in order to block further advance of the monopoly, and in order to promote progress and free competition, and in order to protect the public whose interest is prejudiced by illegal monopoly. We assume that what is often called the public interest defense, in patent litigation, is something more than a defense. It is a proper regard for the public interest.

Westinghouse here seeks to destroy the BullDog patent and enjoin BullDog's use of it. We have asserted that

the Westinghouse attempt is bottomed on a desire to keep and maintain the Westinghouse monopoly. We contend that, if Westinghouse succeeds in its efforts to destroy the BullDog patent and enjoin its use, the effect will be to destroy or hinder the competition recently introduced into the circuit breaker business by BullDog and which BullDog seeks to maintain open. We seek to show that the destruction of the patent will have that effect on the public; and that a denial of the right to show why Westinghouse seeks to destroy the BullDog patent and enjoin its use will be prejudicial to the public interest.

We do not seek, at this time, permission to examine and determine the conduct of Westinghouse. BullDog already has that right, as a defendant in a patent infringement suit brought by the same Westinghouse on circuit breaker patents of Westinghouse against the same BullDog in West Virginia, this suit having been brought by Westinghouse in West Virginia only a few weeks before it filed its Declaratory Judgment of Counterclaim in New York, the instant proceedings.

By its Reply in New York, BullDog seeks merely the right to make the New York Courts aware of the Westinghouse monopoly and illegal dominance in the circuit breaker business in order that the New York Courts understand and appreciate the effect on the public of the attack by Westinghouse against the BullDog patent and BullDog's use of it. *To deny the New York Court that knowledge which must necessarily be presented to the West Virginia Court, seems to tie the hands not only of BullDog, but also of the New York Court, to keep that Court ignorant while the other Court is advised of the facts.*

We urge that the public has as much of an interest in the New York action, where Westinghouse seeks to maintain its illegal monopoly by destroying a BullDog patent on circuit breakers, as the public has in the West Virginia action, where Westinghouse seeks to preserve its illegal monopoly in circuit breakers by seeking to enforce its own patents on circuit breakers against BullDog.

The District Court's order forecloses the use of the evidence as to the monopolistic conduct of Westinghouse in circuit breakers from the New York action. To that extent, therefore, it eliminates one major, indeed paramount, issue, public interest; and may have the effect of eliminating it forever and finally from this case. It may be assumed that the same District Court which refuses to permit BullDog to *plead* public interest would, as a matter of course, refuse to permit BullDog to *offer evidence* of the public interest.

Now there is no justification for the assumption that public interest is synonymous with destroying a patent. Sometimes public interest can be better served by enforcing patent rights. It is our contention that in patent cases, the public interest should be examined to determine whether or not that interest is best served by enforcing a patent or not enforcing it, destroying it or not destroying it, issuing it or not issuing it. We contend that if it is shown that the public interest in this case is best served by not destroying the patent at the request of the respondent, then the patent should not be destroyed; and if it is decided that the patent should not be destroyed, then it necessarily follows that the patent should not be examined at the request of the respondent with a view to destroying it.

The question comes down to this: —whether the owner of a patent may show the monopolistic purposes of the owner of numerous patents in attempting, by declaratory judgment action, to destroy that single competitive patent, eliminate it from the field, and enjoin its use.

Public Interest Has Been Shut Out

The peculiar manner in which this question is raised, namely, in a proceedings where we test the appealability of an order striking paragraphs from a pleading, may seem narrow but is really most vital to the public interest. BullDog, thus far, has not had an opportunity to show the public interest and the facts of public interest. The District Court shut the door by striking the public interest matters from the pleadings. The Circuit Court of Appeals shut the door just as effectively by dismissing the appeal for want of jurisdiction. We are left with the admonition, on the one hand, that we must represent the public interest adequately, and, on the other hand, with the actions of the District Court and of the Circuit Court of Appeals *which have the effect of preventing us even from pleading the facts of public interest.*

Even where belatedly presented, the public interest questions have been accepted for examination. How much more is it desirable to stay all other examinations, such as examinations of the technical patent issues, until the public interest questions are appraised, and the Court advised that the destruction of the patent is but a part of a monopolistic scheme.

This is the procedure approved by this Court, as in the *Morton Salt Case, supra,* where the public interest questions were reviewed at the outset, and the case disposed of, and the public's interest protected, not only before examination of the patent but without any examination whatever of the patent.

The Ruling of the Circuit Court of Appeals Is Definitely In Conflict With the Rulings of This Court

This Court has ruled that appeal lies from an order of a District Court staying or refusing to stay a law action until an equitable defense is tried, the order being considered as an injunction or a refusal of an injunction. In the instant case, the issues of infringement, invention, utility, novelty, are law issues, triable by jury upon proper request, and the public interest defenses are equitable defenses, akin to fraud or arbitration. An order refusing to stay the trial on the law issue, infringement, until after the equitable issue, public interest, is tried, is comparable to the orders of the cases below which were held, by this Court, to be appealable.

In *Enelow v. New York Life Insurance Company, supra,* an action on a contract of insurance was stayed by the District Court until a fraud defense could be tried in equity. This Court ruled that an order of this character, staying the action until the equity defense could be tried, was an order granting an injunction and therefore, although interlocutory, appealable to the Circuit Court of Appeals under Section 129, J. C. Of course, whether the injunction be granted or denied is immaterial, it being only important to determine that it was an injunction that

was concerned in the order. In the *Enelow case,* this court stated that it mattered not that the equity and law proceedings were pending in the same Court.

In *Shanferoke v. Westchester, supra,* the District Court denied a stay of a contract action until an arbitration, required by the contract, was had. This Court held that the refusal of the District Court to stay the contract action was a refusal of an injunction and therefore appealable under Section 129. This Court indicated that the arbitration defense is an equitable defense.

It remains for this Court to determine here that the public interest defense or the unclean hands defense, is an equitable defense or cross-bill within the meaning of Section 274B, akin to the arbitration defense.

We here point out that the appeal to the Circuit Court of Appeals in this case was taken within thirty days of the entry of the District Court's order. The appeal was noticed September 5, 1944, whereas the District Court's order was entered August 17, 1944.

There Is a Public Interest In the Right and Duty To Raise the Question of Public Interest

The attempt of this Petitioner to raise questions which vitally affect the freedom of competition and which the public interest defense in patent cases seeks to preserve has been met with obstacles at every turn, as the record in this case discloses. The Appendix to this Petition briefly refers to the Record on a Motion for Leave to File Petition for Writ of Mandamus previously before this Court.

It may be of the utmost public interest, itself a separate ground for granting this writ, to know whether, by the instrumentality of the Declaratory Judgment procedure, the public interest defenses may be completely eliminated from litigation even though its purpose is to foster and maintain monopoly.

CONCLUSION

The order of the District Court eliminated the misuse, unclean hands or public interest defense from this patent litigation and, whether or not set aside at this time, should at least be regarded as a refusal of an injunction and therefore appealable under Section 129, J. C., so that the bar, which is required to represent the public interest adequately should be given the assistance of this Court in its attempt so to do.

In addition to its prayer for writ of certiorari, petitioner prays for such other relief as may be appropriate to the ends of justice, and that this petition be deemed as a request for such other relief in the premises.

Respectfully submitted,

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